

Message Text

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ACTION AGR-20

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FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 6575

C O N F I D E N T I A L BUCHAREST 3579

E.O. 11652: GDS

TAGS: EAGR, RO

SUBJ: ROMANIAN REQUEST FOR SPECIAL EXTENSION OF CCC CREDITS

1. AT REQUEST OF DEPUTY MINISTER OF FOREIGN TRADE CONSTANTIN STANCIU, CHARGE AND ECON OFFICER MET TODAY WITH STANCIU AND DUMITRU BUTNARU, CHIEF OF DIRECTORATE FOR NORTH AND SOUTH AMERICA AT MIN FOR TRADE ON SUBJECT OF TEMPORARY LIMITATION OF CCC CREDIT LINES. ROMANIAN AMBASSADOR BOGDAN HAD RECENTLY REPORTED TO BUCHAREST CONCERNING CREDIT LINE SUSPENSION WHICH OCCURRED, ACCORDING TO BOGDAN, IMMEDIATELY FOLLOWING THE SIGNING IN THE U.S. OF FOUR OR FIVE CONTRACTS BETWEEN GOR FOREIGN TRADE ORGANIZATIONS AND U.S. FIRMS FOR DELIVERY OF 20,000 TONS COTTON, VALUED AT ABOUT \$38 MILLION, FOR DELIVERY BETWEEN NOVEMBER 1973 AND MARCH 1974.

2. ROMANIAN REQUEST, WHICH STANCIU SAID CAME FROM VICE PRESIDENT COUNCIL OF MINISTERS AND MINISTER OF FOREIGN TRADE ION PATAN, IS THAT USG EXTEND USE OF AT LEAST \$40 MILLION OF OUTSTANDING CCC CREDIT LINE AS "SPECIAL EXCEPTION" TO ALLOW GOR TO IMPORT ALREADY CONTRACTED QUANTITIES OF COTTON. STANCIU ARGUES THAT GOR PURCHASING MISSION SOUGHT SPECIAL TYPES OF US COTTON TO MEET CONTRACTUAL OBLIGATIONS ALREADY ASSUMED IN FRAMEWORK OF ROMANIA'S FOREIGN TRADE PLAN. HE SAID THAT NON-DELIVERY WOULD
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RESULT IN PENALTIES TO GOR FOR NOT MAKING TIME SCHEDULES AND

QUALITY SPECIFICATIONS. HAD GOR OFFICIALS BEEN AWARE OF POSSIBILITY THAT CREDIT LINES WOULD BE TEMPORARILY SUSPENDED, HE SAID, ROMANIAN PURCHASING MISSION WOULD NOT HAVE BEEN SENT TO U.S. WHILE EXPRESSING HIS UNDERSTANDING FOR THE CIRCUMSTANCES WHICH PROMPTED US MOVE, HE NEVERTHELESS REQUESTED THAT WE MAKE AN EXCEPTION IN ROMANIA'S CASE TO COVER THE CONTRACTS ALREADY SIGNED. (AMBASSADOR BOGDAN HAS APPARENTLY ALREADY MADE APPROACHES IN WASHINGTON, BUT ACCORDING TO MIN FOR TRADE OFFICIALS HAS NOT YET RECEIVED REPLY.)

3. COMMENT: STANCIU'S ASSESSMENT OF GOR'S CURRENT DIFFICULT POSITION IN REGARD TO ITS SUPPLY SITUATION AND DELIVERY COMMITMENTS SOUNDS PLAUSIBLE, CONSIDERING ROMANIA'S MANNER OF PURCHASING AND SELLING ACCORDING TO RIGIDLY PLANNED INDUSTRIAL AND FOREIGN TRADE PROGRAMS. YET HIS REQUEST AND ARGUMENTS ALSO HAVE A SOMEWHAT DISINGENOUS RING IN VIEW OF THE FACT THAT ROMANIA'S INITIAL REQUEST FOR THESE EXPANDED CCC CREDITS IN EARLY SPRING 1972 REFLECTED A PROJECTED NEED FOR WHEAT BASED ON VERY PESSIMISTIC, INDEED DISASTROUS, PROSPECTS FOR THE SPRING HARVEST. AS IS KNOWN, SUBSEQUENT IDEAL CONDITIONS PRODUCED ANOTHER NEAR RECORD CROP AND PRECLUDED ANY SIGNIFICANT WHEAT PURCHASES UNDER THE NEWLY EXPANDED CCC CREDIT PROGRAM; INSTEAD IT BECAME ADVANTAGEOUS FOR ROMANIA TO BUY MORE COTTON UNDER PREFERENTIAL CONDITIONS, WHICH IT NOW WISHES TO CONTINUE. NOTWITHSTANDING THESE UNDERLYING FACTORS, STRINGENCY AND INFLEXIBILITIES IN ROMANIA'S ECONOMIC STRUCTURE NO DOUBT PLACE IT IN VERY DIFFICULT POSITION IN THIS INSTANCE. WE WOULD RECOMMEND, THEREFORE, THAT WASHINGTON AGENCIES CONSIDER GOR'S REQUEST SYMPATHETICALLY WITH VIEW TO EXTENDING VALIDITY OF CREDITS IF REGULATIONS ALLOW, AND IF THIS CAN BE DONE WITHOUT SERIOUS DAMAGE TO U.S. INTERESTS.

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